

**LYONS TOWNSHIP**

**Ionia County, Michigan**

**Financial Statements**

**And**

**Independent Auditor's Report**

**For the Year ended March 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name LYONS TOWNSHIP	County IONIA
Fiscal Year End MARCH 31, 2006	Opinion Date AUGUST 6, 2006	Date Audit Report Submitted to State SEPTEMBER 6, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

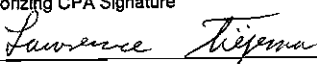
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 1187 HAWLEY HIGHWAY		City SARANAC	State Zip MI 48881
Authorizing CPA Signature 		Printed Name LAWRENCE TIEJEMA	License Number A 256739

# LYONS TOWNSHIP

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**Lawrence Tiejema, PC**

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**INDEPENDENT AUDITOR'S REPORT**

August 6, 2006

The Township Board  
Lyons Township  
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Lyons Township, Ionia County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Lyons Township, as of March 31, 2006, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 6, 2006, on my consideration of Lyons Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyons Township's basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Lawrence Tiejema, PC.

August 6, 2006

## **Management Discussion and Analysis**

Lyons Township enjoyed a successful year in 2005/2006. Our fund balance increased by \$63,726, the fire department updated its equipment, and the major tenants of the township building signed lease renewals. Our net assets balance of \$383,867 contains more than the township's annual expenditures. However, this reserve is needed in case a fire truck fails, a bridge goes out, and/or a major failure occurs to township roads.

### **Financial Highlights:**

- (1) The township received a grant from Homeland Security funds for a new cab and chassis for a new tanker truck in the amount of \$66,500. The matching grant share of Lyons Township was \$3,500, which represented 5% of the total cost.
- (2) The Township realized \$12,500 from the sale of a used cab, chassis, and tank of the fire department. In addition, Devereaux Sawmill donated \$2,500 to each of the fire departments.
- (3) New leases were signed by the Township's two major commercial tenants for an additional 5 years. The combined lease payments of the U.S. Post Office and Independent Bank will bring in \$14,220 per year.
- (4) Lyons Township revenues for services increased from \$77,590 to \$90,056 for the year ended March 31, 2006. The increase was mostly due to increased funds for fire services. For the year ended March 31, 2006, the Township received \$58,401 in fire service reimbursements.
- (5) The cost of cemetery maintenance increased slightly from \$13,602 for the year ended March 31, 2005, to \$15,599 for the year ended March 31, 2006. Contributing to the increase were the charges for extra labor of \$2,642.
- (6) The increase in interest rates helped the Township during the year ended March 31, 2006. The interest earnings were \$5,735 compared to \$2,502 in the prior year.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Township governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Lyons Township has no such activities. All financial resources and expenditures are maintained in the township's governmental funds. The township also has a tax agency fund which collects real and personal property taxes and disburses these tax revenues to the appropriate governmental units including Lyons Township's general fund. Through its general fund, Lyons Township provides for general government, public safety, public works, and cemetery. The government-wide financial statements can be found on pages 9-11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Lyons Township has two fiduciary funds, the Tax Agency Fund and the Cemetery Perpetual Care Expendable Trust Fund.

The basic fiduciary fund statements for the tax agency fund can be found on pages 14 and 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 16-28 of this report.



## **Lyons Township's Net Assets**

### **Governmental Activities**

	Year ended March 31, 2006
Current and other assets	392,453
Capital assets	348,924
Total assets	741,377
Long-term liabilities outstanding	-
Other liabilities	8,586
Total liabilities	8,586
Net assets:	
Invested in capital assets, net	
of related debt	348,924
Restricted assets	-
Unrestricted assets	383,867
Total net assets	732,791

The assets of Lyons Township consist of checking accounts, savings accounts, certificates of deposit, pre-payments, receivables, and buildings and equipment. Of the cash assets, \$86,199 are deposited in checking accounts, \$201,823 is deposited in savings accounts, and \$80,134 is invested in certificates of deposit. The remaining current assets represent receivables from delinquent taxes and pre-payments of expenses.

The liabilities of Lyons Township consist of rental deposits, pension payments due, and expenses incurred before April 1, 2006 and paid in April and May 2006. The township is not notified about its final pension payment for the fiscal year until the following July. The estimated payable for pension contributions is \$1,123.

### Lyons Township's Changes in Net Assets

	Governmental Activities
	Year ended 03/31/2006
Revenue:	
Program revenue:	
Charges for services	\$ 90,056
General revenue:	
Property taxes	111,162
State sources	105,225
Home Security grant	66,500
Other	29,536
Total revenue	402,479
Expenses:	
General government	92,482
Legislative	19,793
Public safety	151,936
Public works	32,120
Cemetery	15,599
Total expenses	311,930
Increase (decrease) in net assets	90,549
Net assets – beginning of year	642,242
Net assets – end of year	\$ 732,791

Lyons Township charges for several services that it provides to its citizens, other organizations, and other governments like townships and villages. Of the \$90,056 received for these services in the year ended March 31, 2006, the major contributors are fire services and rental payments. Other amounts come from telecom revenue, cemetery fees and lot sales, lot splits, and licenses and permits. Of the \$24,536 in other income received, \$12,500 came from the sale of used fire equipment, \$12,400 was donated, and \$5,735 was received for interest earnings.

## **Lyons Township's Capital Assets**

### **Lyons Township's Capital Assets – net of depreciation**

	<b>Governmental activities</b>
	<b><u>Year ended 03/31/2006</u></b>
Land	5,000
Buildings and improvements	28,672
Machinery and equipment	<u>315,252</u>
<b>Total Assets</b>	<b><u>348,924</u></b>

A new inventory was conducted of the township's fire equipment. This inventory revealed an additional \$219,298 in fire equipment that was not reported in the year ended March 31, 2005.

During the year ended March 31, 2006, an additional \$76,465 in fire equipment was obtained. The new International Truck Tanker Model 4400 represented \$70,000 of this expenditure that was subsidized by a Homeland Security grant of \$66,500. In addition, new turnout gear and pagers were obtained.

### **Lyons Township – Looking to the Future**

Lyons Township has adopted a conservative approach in the handling of its finances. While needed improvements are being made to fire equipment and the township's roads, the Township is building a financial reserve for future contingencies. The Township continues to use its rental building to bring in revenue for other township needs. This rental building contains two commercial clients—U.S. Post Office and Independent Bank—and 4 apartments. The Township is benefited by a one-half mill levy for new fire equipment. This fire-equipment millage expires in 2010. The important challenges that the township faces are maintaining its fire department and upgrading its equipment, keeping its infrastructure in usable condition, and addressing the idle Chrysler Plant site. Your township board has adopted a conservative approach to financial expenditures in order to build reserves for these future needs and emergencies.

**LYONS TOWNSHIP**  
**STATEMENT OF NET ASSETS**

**March 31, 2006**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and deposits	\$ 368,156
Receivables	
Due from other funds	1,115
Prepaid expenses	16,028
Taxes receivable	7,154
Capital assets, net of accumulated depreciation	<u>348,924</u>
<b>Total Assets</b>	<b>741,377</b>
<b>Liabilities</b>	
Accounts payable	7,367
Rental deposits	<u>1,219</u>
<b>Total Liabilities</b>	<b>8,586</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	348,924
Unrestricted net assets	<u>383,867</u>
<b>Total net assets</b>	<u><u>\$ 732,791</u></u>

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2006**

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Service	Capital Grants	
Primary government				
Governmental activities:				
General government	\$ 92,482	\$ 28,840	\$ -	\$ (63,642)
Legislative	19,793	-	-	\$ (19,793)
Public safety	151,936	58,401	\$ 66,500	\$ (27,035)
Public works	32,120	-	-	\$ (32,120)
Cemetery	15,599	2,815	-	\$ (12,784)
Total government activities	\$ 311,930	\$ 90,056	\$ 66,500	\$ (155,374)

The accompanying notes are an integral part of these financial statements.

(continued)

**LYONS TOWNSHIP**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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	<u>Governmental Activities</u>
Changes in net assets	
Net (expense) revenue	\$ (155,374)
General revenues:	
Property taxes	111,162
State revenues	105,225
Investment earnings	5,735
Other Income	<u>23,801</u>
Total general revenues	<u>245,923</u>
Change in net assets	90,549
Net assets, beginning of year	<u>642,242</u>
Net assets, end of year	<u><u>\$ 732,791</u></u>

(concluded)

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2006**

<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>BUILDING FUND</b>	<b>FIRE EQUIP FUND</b>	<b>OTHER FUND</b>	<b>TOTAL</b>
Cash and deposits	\$ 313,867	\$ 42,265	\$ 8,735	\$ 3,289	\$ 368,156
Receivables:					
Due from other funds	1,115	-	-	-	1,115
Taxes receivable	7,154	-	-	-	7,154
Prepaid expenses	14,038	1,990	-	-	16,028
<b>TOTAL ASSETS</b>	<b>336,174</b>	<b>44,255</b>	<b>8,735</b>	<b>3,289</b>	<b>392,453</b>
<b>LIABILITIES AND FUND BALANCE</b>					
LIABILITIES:					
Accounts payable and accrued expenditures:					
Accounts payable	5,549	1,818	-	-	7,367
Rent deposits	-	1,219	-	-	1,219
					8,586
<b>TOTAL LIABILITIES</b>	<b>5,549</b>	<b>3,037</b>	<b>-</b>	<b>-</b>	
FUND BALANCE					
Undesignated	330,625	41,218	8,735	3,289	383,867
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 336,174</b>	<b>\$ 44,255</b>	<b>\$ 8,735</b>	<b>\$ 3,289</b>	<b>\$ 392,453</b>

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL  
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	\$ 383,867
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	831,092
Deduct -- accumulated depreciation.....	(482,168)
Net assets of governmental activities.....	\$ 732,791

The accompanying notes are an integral part of these financial statements.

**LYONS TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2006**

	<b>GENERAL FUND</b>	<b>BUILDING FUND</b>	<b>FIRE EQUIP FUND</b>	<b>OTHER FUND</b>	<b>TOTAL</b>
<b>REVENUES:</b>					
Property taxes	\$ 111,162	\$ -	\$ -	\$ -	\$ 111,162
State sources	105,225	-	-	-	105,225
Charges for services	62,581	24,200	-	3,275	90,056
Interest	3,959	539	46	12	4,556
Capital grants	-	-	66,500	-	66,500
Other	3,464	437	19,900	-	23,801
Transfer from other funds	6,201	-	8,965	-	15,166
<b>TOTAL REVENUES</b>	<b>292,592</b>	<b>25,176</b>	<b>95,411</b>	<b>3,287</b>	<b>416,466</b>
<b>EXPENDITURES:</b>					
General government	73,459	15,290	-	1	88,750
Legislative	19,793	-	-	-	19,793
Public safety	95,904	-	86,587	-	182,491
Public works	32,120	-	-	-	32,120
Cemetery	15,599	-	-	-	15,599
Transfers to other funds	6,465	2,500	5,022	-	13,987
<b>TOTAL EXPENDITURES</b>	<b>243,340</b>	<b>17,790</b>	<b>91,609</b>	<b>1</b>	<b>352,740</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>49,252</b>	<b>7,386</b>	<b>3,802</b>	<b>3,286</b>	<b>63,726</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>49,252</b>	<b>7,386</b>	<b>3,802</b>	<b>3,286</b>	<b>63,726</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>281,373</b>	<b>33,832</b>	<b>4,933</b>	<b>3</b>	<b>320,141</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 330,625</b>	<b>\$ 41,218</b>	<b>\$ 8,735</b>	<b>\$ 3,289</b>	<b>\$ 383,867</b>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND  
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	\$ 63,726
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add -- Capital Assets acquired and expensed by depreciation	76,465
Deduct - depreciation expense.....	(49,642)
Change in net assets of government activities.....	<u>\$ 90,549</u>

The accompanying notes are an integral part of these financial statements.



**LYONS TOWNSHIP**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**

**MARCH 31, 2006**

	<b>Cemetery Perpetual Care Expendable Trust Fund</b>	<b>Tax Collection Fund</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ -	\$ 48,208
Due from other funds	19,605	
<b>Total assets</b>	<b>19,605</b>	<b>48,208</b>
<b>LIABILITIES:</b>		
Due to other funds	-	1,115
Due to other governmental units	-	47,093
<b>Total liabilities</b>		<b>48,208</b>
<b>NET ASSETS</b>		
Held in trust for other purposes	<u>\$ 19,605</u>	<u>\$ -</u>

**LYONS TOWNSHIP**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**MARCH 31, 2006**

	<b>CEMETERY PERPETUAL CARE EXPENDABLE TRUST FUND</b>	<b>TAX COLLECTION FUND</b>
<b>ADDITIONS:</b>		
Property tax collections and fees	\$ -	\$ 1,774,106
Interest earned	1,179	1,115
Total additions	1,179	1,775,221
<b>DEDUCTIONS:</b>		
Payments to general fund		99,302
Payments to other governmental units		1,675,919
Transfers out	1,179	
Total deductions	\$ 1,179	\$ 1,775,221

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lyons Township was organized on March 11, 1837, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, cemetery, public improvements, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

**The Reporting Entity**

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Lyons Township.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Lyons Township has no business-type activities or funds.

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds follow the accrual basis of accounting and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

**Fund Accounting**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government funds:

**General Fund** – This fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Building Fund** – This fund is used to account for rental income and expenses of the building that houses the township hall and other commercial clients.

**Fire Equipment Fund** – This fund is used to account for revenue donated and earned for the purchase and repair and fire fighting equipment.

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**Telecommunications Fund** – This fund accounts for revenue received from telecommunications providers for using the road right-of-ways in Lyons Township.

Additionally, the Township reports the following fund type:

**Tax Agency Fund** – This fund is used to account for property tax collections from real and personal property owners in Lyons Township, and the fund's disbursements to the applicable government entities and agencies.

**Cemetery Perpetual Care Fund** – This fund represents a reserve for the maintenance of the Township's cemeteries.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Budgets and Budgetary Accounting**

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board.
8. Encumbrance accounting is not utilized.

**Investments**

Investments are stated at fair value.

**Restricted Assets**

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Lyons Township has no restrictions on its net assets.

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**Due To and Due From Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Building and structures.....	10 – 40
Furniture and equipment.....	5 – 15
Building and lot improvements.....	15
Trucks and vehicles.....	5-20
Machinery and equipment.....	5 – 20



**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**Property Taxes**

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other entities in Ionia County; summer taxes are collected for the school districts and the County of Ionia. Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

**Fund Equity**

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of Lyons Township has no reservation or designations of its \$383,867 governmental funds equity.

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Liberty Group of Kalamazoo, Michigan.

The insurance limitations are: Property, \$771,000; Liability, \$3,000,000; Wrongful acts, \$2,000,000; and Automobile, \$1,000,000. In addition, the Township has inland marine and crime coverage.

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**2. CASH AND DEPOSITS AND INVESTMENTS**

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

Deposits:	Governmental Funds	Tax Agency Fund	Total
Cash and deposits	\$ 288,022	\$ 48,208	\$ 336,230
Investments	<u>80,134</u>	<u>-</u>	<u>80,134</u>
TOTAL	\$ 368,156	\$ 48,208	\$ 416,364

The carrying amount of the Township's deposits at March 31, 2006, is \$416,364. Of these deposits, \$200,000 is insured by the Federal Deposit Insurance Corporation. In accordance with the State of Michigan policy limits, these deposits are all deposited in Michigan banks. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

**Statutory Authority**

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.

**LYONS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

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4. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
5. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
6. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Lyons Township are in Category 1, registered and insured and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/06</u>
General Fund:		
Independent Bank	Checking account	\$ 68,539
Independent Bank	Savings account	178,794
Union Bank	Certificates of deposit	66,534
Building Fund:		
Union Bank	Checking account	17,660
Union Bank	Savings account	11,005
Union Bank	Certificate of deposit	13,600

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/06</u>
Fire Equipment Fund:		
Union Bank	Savings account	\$ 8,735
Telecommunications Fund:		
Union Bank	Savings account	3,289
Tax Agency Fund:		
Union Bank	Checking account	314
Union Bank	Savings account	<u>47,894</u>
<b>TOTAL DEPOSITED FUNDS</b>		<b>\$ 416,364</b>

**3. CAPITAL ASSETS**

A summary of changing in Capital Assets follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	5,000	0	0	5,000
Capital assets being depreciated:				
Building improvements	62,000	0	0	62,000
Fire fighting equipment	<u>687,627</u>	<u>76,465</u>	<u>0</u>	<u>764,092</u>
Total assets being depreciated	749,627	76,465		826,092
Less accumulated depreciation for:				
Building improvements	29,596	3,732	0	33,328
Fire fighting equipment	<u>402,930</u>	<u>45,910</u>	<u>0</u>	<u>448,840</u>
	432,526	49,642	0	<u>482,168</u>
Total capital assets, being depreciated net	317,101			343,924
Governmental activities capital assets, net	<u>322,101</u>	<u>26,823</u>		<u>348,924</u>

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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Depreciation expense was charged to functions/programs of the general government as follows:

Township Building.....	\$ 3,732
Fire Fighting Equipment.....	<u>45,910</u>
Total depreciation.....	\$ 49,642

**4. CONTRIBUTORY PENSION PLAN**

Lyons Township contributes to the group pension plan through John Hancock Insurance Company. The eligible participants are the elected officials of the township board. The Township contributes \$100 for each \$500 of a participant's compensation.

No contributions are made by the participants. During the year ended March 31, 2006, the Township made cash contributions of \$8,345. For the year ended March 31, 2006, the Township has paid and accrued a pension expense of \$7,913.

**5. LITIGATION**

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**6. DUE FROM (TO) OTHER FUNDS**

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2005, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	-	\$ 1,115
Tax Agency Fund	\$ 1,115	

"Due to" and "due from" balances represent amounts in the tax-agency fund which may be transferred into the general fund.

**7. PRIOR PERIOD ADJUSTMENTS**

The Township's net assets for the year ended March 31, 2005, have been adjusted for pre-pays, receivables, accrued liabilities, and fixed assets not previously recognized for the year ended March 31, 2005. The chart below details these changes:

Net Assets, original @ March 31, 2005.....		\$ 402,608
Additions:		
Building improvements.....	\$ 20,095	
Firefighting equipment.....	219,298	
Prepaid expenses.....	1,352	
Property taxes receivable.....	<u>7,584</u>	
		248,329
Decreases:		
Land value adjustments.....	350	
Accrued liabilities.....	<u>8,345</u>	
		<u>8,695</u>
Net Assets, adjusted @ March 31, 2005.....		\$ 642,242

**LYONS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**8. INTERFUND TRANSFERS**

	Transfers In:			
	General Fund	Building Fund	Fire Fund	Total
Transfers out:				
Cemetery Perpetual Care Fund	1,179	0	0	1,179
Fire Equipment Fund	5,022	0	-	5,022
Building Fund	0	-	2,500	2,500
General Fund	-	0	6,465	6,465
Total transfers out	6,201	0	8,965	15,166

**Required Supplementary Information**



## **GENERAL FUND**

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The General Fund is used to account for government resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, and Cemetery.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

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**LYONS TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes				
Current property taxes	\$ 98,300	\$ 98,300	\$ 104,008	\$ 5,708
Delinquent property taxes	7,200	7,200	7,154	(46)
Total taxes	105,500	105,500	111,162	5,662
State sources				
State revenue sharing	100,000	100,000	105,225	5,225
Charges for services:				
Fire Services	30,000	30,000	58,401	28,401
Licenses/permits	1,000	1,000	1,100	100
Cemetery lot sales	300	300	820	520
Cemetery fees	1,000	1,000	1,995	995
Cable franchise fee	250	250	265	15
Total fee revenue	32,550	32,550	62,581	30,031
Investment revenue:				
Interest earnings	2,000	2,000	3,959	1,959
Other revenue	500	500	3,464	2,964
Contingency	8,645	8,645	0	(8,645)
Trfx from Cemetery Petpetual Care			1,179	1,179
Transfer from Fire Equipment Fund	0	0	5,022	5,022
TOTAL REVENUES	249,195	249,195	292,592	43,397

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
General government				
Supervisor	\$ 10,600	\$ 10,600	\$ 10,446	\$ 154
Elections	3,800	3,800	1,215	2,585
Assessor	17,675	17,675	17,900	(225)
Clerk	11,900	11,900	11,810	90
Board of review	800	800	875	(75)
Treasurer	18,200	18,200	19,159	(959)
Audit & legal	3,200	3,200	4,141	(941)
Pension plan	9,000	9,000	7,913	1,087
Total general government	75,175	75,175	73,459	1,716
Legislative	14,472	14,472	19,793	(5,321)
Public safety				
Fire department	67,000	67,000	72,103	(5,103)
Ambulance	22,900	22,900	23,801	(901)
Total public safety	89,900	89,900	95,904	(6,004)
Public works				
Roads	42,025	42,025	32,068	9,957
Drains			52	(52)
Total Public Works	42,025	42,025	32,120	9,905
Cemetery	13,750	13,750	15,599	(1,849)
Transfer to Fire Equipment Fund			6,465	(6,465)
TOTAL EXPENDITURES	235,322	235,322	243,340	(8,018)
REVENUES OVER (UNDER)				
EXPENDITURES	13,873	13,873	49,252	35,379
NET CHANGE IN FUND BALANCES	13,873	13,873	49,252	35,379
FUND BALANCE, BEGINNING OF YEAR	281,373	281,373	281,373	-
FUND BALANCE, END OF YEAR	\$ 295,246	\$ 295,246	\$ 330,625	\$ -

## **MAJOR FUNDS**

### **SPECIAL REVENUE FUNDS**

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Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Fire Equipment Fund – This fund is used to account for private donations and grants that are restricted for the purchase and maintenance of fire equipment.

Building Fund -- This fund is used to account for rental income and expenses of the building that houses the township hall and other commercial clients.

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**LYONS TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL**

**FOR THE YEAR ENDED MARCH 31, 2006**

<b>BUILDING FUND</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Rent income	\$ 21,500	\$ 21,500	\$ 24,200	\$ 2,700
Interest income	200	200	539	339
Miscellaneous income	100	100	437	337
<b>Total revenues</b>	<b>21,800</b>	<b>21,800</b>	<b>25,176</b>	<b>3,376</b>
<b>EXPENDITURES:</b>				
Manager	3,240	3,240	3,240	0
Insurance	2,000	2,000	1,936	64
Audit	300	300	500	(200)
Utilities	2,500	2,500	3,769	(1,269)
Repair and Maintenance	5,000	5,000	4,674	326
Janitorial	800	800	544	256
New equipment	2,000	2,000	30	1,970
Miscellaneous expenses	2,000	2,000	597	1,403
Transfer to Fire Equipment Fund	-	-	2,500	(2,500)
<b>Total expenditures</b>	<b>17,840</b>	<b>17,840</b>	<b>17,790</b>	<b>50</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,960</b>	<b>3,960</b>	<b>7,386</b>	<b>3,426</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,960</b>	<b>3,960</b>	<b>7,386</b>	<b>3426</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>33,832</b>	<b>33,832</b>	<b>33,832</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 37,792</b>	<b>\$ 37,792</b>	<b>\$ 41,218</b>	<b>-</b>

**LYONS TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL**

**FOR THE YEAR ENDED MARCH 31, 2006**

**FIRE EQUIPMENT FUND**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Sales of used equipment	5,000	5,000	\$ 12,500	\$ 7,500
Donations	2,000	2,000	7,400	5,400
Interest income	40	-	46	6
Capital grants	-	-	66,500	66,500
Transfer from General Fund	-	-	6,465	6,465
Transfer from Building Fund	2,500	2,500	2,500	-
Total revenues	9,540	9,540	95,411	85,871
EXPENDITURES:				
Purchase of new fire equipment	-	-	76,465	(76,465)
Repair and maintenance	5,000	5,000	10,122	(5,122)
Transfer to the general fund	-	-	5,022	(5,022)
Total expenditures	5,000	5,000	91,609	(86,609)
REVENUES OVER (UNDER) EXPENDITURES	4,540	4,540	3,802	(738)
NET CHANGE IN FUND BALANCES	4,540	4,540	3,802	-
FUND BALANCE, BEGINNING OF YEAR	4,933	4,933	4,933	-
FUND BALANCE, END OF YEAR	\$ 9,473	\$ 9,473	\$ 8,735	-

### **NONMAJOR FUND**

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Telecommunications Fund -- This fund is used to account for fees telecommunications companies pay to use the right-of-ways of Lyons Townships. These fees are generally transferred to the General Fund.

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**LYONS TOWNSHIP**  
**TELECOMMUNICATIONS FUND**

**BALANCE SHEET**

**MARCH 31, 2006**

**ASSETS:**

Cash and cash equivalents	\$ 3,289
Total assets	<u>3,289</u>

**LIABILITIES AND EQUITY**

Fund Balance	
Undesignated	\$ 3,289

**REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE -- BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Telecommunications revenue	\$ 2,500	\$ 2,500	\$ 3,275	\$ 775
Interest income	-	-	12	12
Total revenue	<u>2,500</u>	<u>2,500</u>	<u>3,287</u>	<u>787</u>
<b>EXPENDITURES:</b>				
Transfer to General Fund	2,500	2,500	0	2,500
Miscellaneous expense	-	-	1	(1)
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>1</u>	<u>2,499</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>3,286</u>	<u>3,286</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	0	3,286	
<b>FUND BALANCE, BEGINNING OF YEAR</b>	3	3	3	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3,289</u>	<u>\$ -</u>



**Lawrence Tiejema, PC**

**Certified Public Accountant**

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Fax: 616-642-0610

Email: [tiej@iserv.net](mailto:tiej@iserv.net)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

August 6, 2006

The Township Board  
Lyons Township  
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Township of Lyons, State of Michigan, as of and for the year ended March 31, 2006, which collectively comprise Lyons Township's basic financial statements and have issued a report thereon dated August 6, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the Lyons Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyons Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lawrence Tiejema, PC.

August 6, 2006

**Lawrence Tiejema, PC**

Certified Public Accountant

1187 Hawley Highway

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Phone: 616-642-0384

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Email: [tiej@iserv.net](mailto:tiej@iserv.net)

September 1, 2006

Board of Lyons Township  
Prairie Street, PO Box 187  
Lyons, MI 48851

To the Board of Lyons Township:

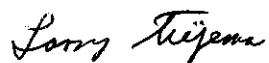
You may refer to my report on internal control over financial reporting and compliance with laws and established accounting procedures. The letter states that I noted no matters involving internal control over financial reporting that would be considered material weaknesses. In the course of the audit, however, certain items were noted that would improve financial reporting procedures and documentation.

- (1) It was noted that the reports generated from the BS &A accounting software did not give the needed results for Form 941, federal quarterly statement that reports federal wage withholding and FICA. Perhaps the Clerk could work with BS & A to design the reports so that all numbers reflect the amounts needed on each line.
- (2) Townships are now performing elections for school districts and receiving compensation from these districts. The F-65 report requires the reporting of these reimbursements on a certain line. Perhaps, the Township could designate a special account or sub-account to these reimbursements in the accounting records.
- (3) Periodically, fire departments secure donations and grants that are used to purchase fire equipment. The purchased equipment becomes property of the Township and must be reported in the Statement of Net Assets required by GASB 34. In response to this reporting requirement, the Township should keep a file containing copies of documents that report the value of equipment purchased through grants and donations.
- (4) Since Lyons Township now depreciates all capital equipment with a purchase cost of \$1,000 or more, an account entitled "Capital Expenditures" in each function could identify these items and make financial reporting more efficient.

It should also be noted that budgets must be enacted for all funds except Trust & Agency, Agency, Internal Service, Enterprise, Debt Service, and Capital Projects. For Lyons Township, this means that budgets must be enacted by the township board for the General Fund, Fire Equipment Fund, Building Fund, and Telecommunications Fund.

If you have any questions regarding these suggestions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tiejema".

Larry Tiejema, CPA